

Top Secret

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_____ NATIONAL INTELLIGENCE DAILY CABLE _____

_____ Thursday May 27, 1976 _____

_____ CI NIDC 76-125C _____

NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Thursday May 27, 1976.

The NID Cable is for the purpose
of informing senior US officials.

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ITALY

The campaign for Italy's parliamentary election on June 20 and 21 is in full swing now that the parties have completed their candidate lists and put the finishing touches on their electoral platforms.

The Communists unveiled their election platform first and appear to have captured the initiative. Party chief Berlinguer is calling for a post-election emergency government consisting of all parties except the neo-fascists. The party is presenting economic, social, and institutional proposals framed in general terms calculated to offend no one. It is emphasizing its alleged independence within the international communist movement and its pledge to continue Italy's relations with NATO, the EC, and the US.

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[] The Christian Democrats' platform rejects Berlinguer's emergency government formula and calls for a new coalition with the Socialists that would be open to the smaller parties with the exception of the neo-fascists. The Christian Democrats--seeking to capitalize on uncertainties about the Communists' ultimate intentions--are portraying the situation as a choice between a Christian Democratic - based government and an untried leftist coalition with the Christian Democrats in opposition.

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[] In addition, the Christian Democrats are trying to combat their image as a tired and worn-out party by pointing to the substantial number of new faces among the party's candidates. The Christian Democrats ability to make "renewal" a credible campaign theme will be hampered, however, by the party's failure to replace members of the old guard who are tarred with serious corruption charges.

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[] The Socialists--in an effort to protect the party's pivotal position by keeping nearly all post-election options open--devised a platform that endorses Berlinguer's emergency government formula, but does not categorically rule out another coalition based on Christian Democratic - Socialist cooperation. The essential Socialist condition for another coalition with the Christian Democrats is acceptance by the latter of an arrangement that would permit the government to negotiate openly certain of its programs with the Communists and to seek Communist support in parliament.

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[] Despite the many similarities between the Communist and Socialist programs--they both cite the Christian Democrats as the major enemy--the campaign is heightening tensions between the two leftist parties. The Communists are portraying the ambiguities in the Socialist position as opportunistic, while the Socialists cite the Communists' continuing relations with Moscow to buttress their claim to be the only "safe" party on the left.

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[] Public opinion polls--which provide only a rough guide to the preferences of Italian voters--generally agree that the Christian Democrats retain a plurality, but differ over the gap between them and the Communists. Some surveys show the

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two parties almost even, while others show the Communists trailing by a significant margin. Nearly all the polls list a large percentage of undecided or indifferent voters--usually about a fourth of the respondents--which will make the final three weeks of campaigning that much more crucial.

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SOUTH KOREA

25X1 [] //South Korea's major opposition party, troubled increasingly by factional struggles, has split into two bitterly antagonistic groups. The split will further strengthen President Pak's already well-entrenched political position.//

25X1 [] //The dispute came to a head this week when the two groups failed to agree on a method for selecting a new leader at a party conference.

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Conflicting claims over control of party assets and the problem of the party's representation in the National Assembly should sustain the turmoil for some time.

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SOUTH KOREA

25X1 [] South Korea's economic growth and export performance have been the best this year among all developing countries outside the Organization of Petroleum Exporting Countries. Gross national product should increase 9 percent in real terms, up from 7.4 percent last year, largely on the strength of an export-led boom. Seoul is likely to pare its current-account deficit to about \$1.4 billion, well below the \$2 billion levels of 1974 and 1975.

25X1 [] South Korean exporters are taking full advantage of the consumer-based recovery in the major industrialized countries, particularly in the US. Overseas sales for the first four months of this year were up 60 percent compared with last year, and export letters of credit have been issued at nearly double last year's pace. We expect South Korean foreign sales to surpass Seoul's target of \$6.5 billion and perhaps top \$7 billion.

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[] Almost all consumer-oriented exports, led by textiles and footwear, have shown strong gains. Buoyant demand in the US market absorbed 35 percent of the first-quarter shipments. Rising demand in Europe and the Persian Gulf has offset lagging sales to Japan, Korea's second largest foreign market.

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[] Trade barriers in the importing countries--especially textile quotas--and production capacity constraints will moderate export growth after midyear. Textile sales to the US already have nearly filled agreed quota limits on some garment and footwear items.

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[] Restrictive government measures and high inventories have held down imports so far this year. In the first quarter of 1976, imports were an estimated 8 percent below the same period in 1975. Imports will increase during the second half of this year as exporters replenish their raw material stocks. Prospects for another bumper grain harvest and Seoul's effective energy conservation program will keep import growth within bounds.

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[] The extraordinary surge in Korean exports of goods and services has substantially narrowed Seoul's balance-of-payments gap and bolstered the confidence of international lenders. Unlike the case for the past two years, Seoul can comfortably cover this year's deficit without drawing down its foreign exchange reserves or resorting to short-term borrowing.

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[] Seoul is now reevaluating its economic goals for this year, with an eye toward setting higher growth targets. Any move in this direction will be tempered by Seoul's awareness that the international financial community believes its long-term development plans may be too ambitious.

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